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FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6121
INFO RUEHMO/AMEMBASSY MOSCOW IMMEDIATE 0537
RUEKJCS/SECDEF WASHDC IMMEDIATE
RUEHBY/AMEMBASSY CANBERRA PRIORITY 1133
RUEHKO/AMEMBASSY TOKYO PRIORITY 0761
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RUEKJCS/JOINT STAFF WASHINGTON DC PRIORITY
RUEHXS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUEHWL/AMEMBASSY WELLINGTON 1727
RUEHBJ/AMEMBASSY BEIJING 4288
RUEHPB/AMEMBASSY PORT MORESBY 3428
RUEHNE/AMEMBASSY NEW DELHI 1338
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SUBJECT: PUTIN VISIT -- ARMS, ENERGY AND MINING DEALS

REF: 06 JAKARTA 13498

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Classified By: Pol/C Joseph Legend Novak, reasons 1.4 (b)(d).

11. (C) Summary: Russian President Putin visited Jakarta September 6. Russia and the GOI signed several bilateral agreements, including an arms deal worth \$1 billion, investment projects in mining and energy worth \$4 billion, and an MOU on fighting terrorism. Defense Minister Sudarsono commented that purchases of military equipment from Russia were not "complicated" by human rights, accountability and licensing preconditions, unlike those with the West. GOI and Russian Embassy contacts told Pol/C that the visit was a net positive, but that links between the two countries remained largely underdeveloped, especially in the trade area. End Summary.

A "Strategic Partnership"

12. (SBU) The September 6 visit reciprocated President Yudhoyono's visit to Moscow last November. Yudhoyono and Putin jointly described the relationship as having reached "a new level." Defense Minister Sudarsono remarked that, with the arms deal and other aspects of defense cooperation, Indonesia had established a "strategic partnership" with all major powers of the East Asia region: the U.S., China, Australia and Russia. Noting that bilateral trade had been a meager \$400 million in 2006, the leaders said they expected a significant boost from the agreements. Indonesia exports primarily agricultural commodities to Russia in return for defense items.

13. (C) A contact at the Indonesian Department of Foreign Affairs (DEPLU) told Pol/C that the visit had been short but successful. Putin had been dynamic and impressive in his meetings with the Indonesian president and other officials. Indonesia hoped further high-level visits would occur, but was well aware that the economic/trade relationship had a long way to go. A Russian Embassy official told Pol/C that

the visit had been "highly successful for the bilateral relationship," that SBY had given the Russian leader a great welcome, and that Russia was committed to building the relationship with Indonesia via enhanced military-to-military ties, student exchanges and trade.

Major Deals

14. (SBU) Details of some of the agreements signed by the two presidents:

-- Defense Equipment: A five-year defense loan with generous financing terms, which was announced when SBY visited Moscow in late 2006 (reftel), allows Indonesia to buy two Kilo-class submarines, 20 amphibious tanks, five Mi-35 assault helicopters, ten Mi-17 personnel helicopters and other equipment. An Indonesian Defense Department spokesman noted that the submarine sale would give Indonesia the most advanced conventional submarines in Southeast Asia.

-- Combating Terrorism: A Memorandum of Understanding provides for the establishment of a bilateral working group to facilitate the exchange of information regarding terrorist groups as well as experience in fighting terrorism.

-- Trade and Investment: The large delegation of business leaders that accompanied Putin signed several major investment agreements, including cooperation between Russia's Lukoil and Indonesia Pertamina, for deep-water oil and gas exploration (\$1.2 billion), and between Russia's Rusal with Indonesia's Aneka Tambang for bauxite exploration and aluminum production in West Kalimantan (\$3.6 billion). The head of Russia's nuclear agency, Rosatom, accompanied Putin

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but no nuclear energy deals were announced. A much-touted prospective telecommunications deal involving Indonesia's Indosat also did not materialize, according to DEPLU contacts. Russian construction and use of space launch facilities on Biak Island near Papua were essentially finalized during the SBY visit in November 2006, leaving only supporting technical agreements for conclusion during the Putin visit.

15. (C) According to defense sources here, the \$1 billion arms deal does not include the sale of six Sukhoi jet fighters, contrary to press reports. Rather, an Indonesian defense delegation finalized the purchase of three Su-27s and three Su-30s, plus weapons, last month in Moscow for a price tag of \$355 million. The Sukhois, which could arrive as early as 2008, would give Indonesia a total of ten. The deal could fall through, however, as Indonesia reportedly made the deal contingent upon financing.

Long Way to Go

16. (C) GOI and Russian Embassy contacts admit that bilateral relations remain undeveloped, especially on the trade side. Russia is not a big player in Indonesia and does not loom large in the Indonesian mind-set. Nonetheless, Putin received favorable press coverage and the deals were hyped in the local press. If the Putin and Yudhoyono visits are not to be one-off events, the two sides will need to continue to intensify relations and, based on official comments, they seem intent on doing that.

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